

Message Text

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PAGE 01 BERN 03621 01 OF 02 090940Z
ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 SP-02 USIA-15 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06
LAB-04 SIL-01 L-03 H-02 PA-02 PRS-01 /114 W
-----047024 090949Z /12

R 090848Z AUG 77
FM AMEMBASSY BERN
TO SECSTATE WASHDC 4752
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
USMISSION GENEVA
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMCONSUL ZURICH

UNCLAS SECTION 1 OF 2 BERN 3621

USDEL MTN ALSO FOR MISSION, USOECD ALSO FOR EMBASSY,

PASS TREASURY AND FRB

EO 11652: NA
TAGS: EFIN SZ
SUBJ: SWISS FINANCIAL REVIEW: WEEK OF JUL31-AUG 6

1. SUMMARY: DOLLAR RATE AGAINST SWISS FRANC
FELL TO SF 2.39 IN RELATIVELY CLAM MARKET. GOLD
PRICE ROSE TO 145 IN UPWARD MOVEMENT EXPECTED TO
INCREASE SLIGHTLY THOURH AUG. DOMESTIC
INTEREST RATES SHOW SIGNS OF DECREASING DESPITE
CREDIT EXPANSION SO FAR THIS YEAR. MID-1977
BALANCE SHEET TOTALS FOR 3 LARGEST SWISS BANKS
SHOWED INCREASE FROM END 1976 WITH SIGNIFICANT
CHANGES FOR CERTAIN MAJOR ITEMS. END SUMMARY.
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PAGE 02 BERN 03621 01 OF 02 090940Z

2. FOREIGN EXCHANGE AND GOLD: MARKET WAS CLOSED
AUG 1 FOR SWISS NATIONAL DAY. ACTIVITY WAS
RELATIVELY CLAM. DEALERS SAID DOLLAR RATE FELL
TO SF 2.39 WEDNESDAY FOLLOWING DECLINE IN ERUO-
DOLLAR INTEREST RATES AND ANNOUNCEMENT OF SECOND
MONTH OF DECLINE IN INDEX OF US LEADING ECONOMIC

INDICATORS. SWISS NATIONAL BANK INTERVENED TO SUPPORT DOLLAR LATE WEDNESDAY. RATE ROSE TO SF 2.40 THURSDAY AFTER REPORTS OF IMPROVED US NEW CAR SALES AND EXPORTS, AND NEW MORGAN GUARANTY TRUST PRIME RATE OF 6.75. DEALERS SAID DOLLAR'S DOWNWARD FLUCTUATION TO SF 2.39 FRIDAY REFLECTED CONCERNS REGARDING MEETING OF FINANCE MINISTERS IN PARIS. RESULT OF AMEX BANK SURVEY SHOWS EXPECTATION THAT DOLLAR WILL BE IN RANGE SF 2.42 TO SF 2.48 BY END 1977 AND SF 2.39 TO SF 2.49 IN MID 1978. GOLD PRICE ROSE ABRUPTLY TO 146 FOLLOWING WEDNESDAY IMF GOLD AUCTION. PROFIT TAKING BROUGHT PRICE DOWN TO 145 FRIDAY. FOUR LARGEST SWISS BANKS (UNION BANK OF SWITZERLAND, SWISS BANK CORP, CREDIT SUISSE AND BANK LEU) BOUGHT IMF GOLD AUG 3. DEALERS EXPECT SLIGHT PRICE INCREASE OVER COMING WEEKS BECAUSE DEMAND, ESPECIALLY FROM MID EAST, IS IN EXCESS OF PRODUCTION. EXPECTED SEASONAL DEMAND INCREASE FROM INDUSTRY AT END AUG COULD GIVE ADDED IMPULSE TO UPWARD PRICE MOVEMENT. RATES FOLLOW:

ITEM/AUG 2 OPEN)/AUG 5 (CLOSE)

SPOT DOLLAR/2.4120/2.3995

FORWARD DISCOUNTS (PERCENT PER ANNUM)

ONE MONTH/4.15/3.90

TWO MONTHS/3.75/3.83

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PAGE 03 BERN 03621 01 OF 02 090940Z

THREE MONTHS/3.63/3.55

SIX MONTHS/3.37/3.29

TWELVE MONTHS/3.17/3.10

SF/DM/104.75/104.50

GOLD/144.75/145.00

3. CAPITAL AND MONEY MARKETS: STOCK PRICES SHOWED MIXED RESULTS; SKA PRICE INDEX ROSE 0.3 PERCENT TO 222.6 LED BY INDUSTRIALS. AVERAGE YIELD CONFEDERATION BONDS SLIPPED TO 4.20. DOMESTIC CAPITAL MARKET ENDED SUMMER RECESSION. SOME SF 1 BILLION IN NEW MONEY IS EXPECTED TO BE RAISED ON DOMESTIC MARKET DURING THIRD QTR. ALTHOUGH DOMESTIC CREDIT HAS

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PAGE 01 BERN 03621 02 OF 02 090928Z
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LAB-04 SIL-01 L-03 H-02 PA-02 PRS-01 /114 W
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UNCLAS SECTION 2 OF 2 BERN 3621

USDEL MTN ALSO FOR MISSION, USOECD ALSO FOR EMBASSY,

PASS TREASURY AND FRB

BEEN INCREASING, MOST CREDIT EXPANSION WAS BY
LARGEST BANKS WHILE LOANS FROM CANTONAL BANKS
GREW LESS AND CREDIT DECLINED FROM SAVINGS AND
LOAN INSTITUTIONS AND REGIONAL BANKS. BANKS,
THEREFORE, EXPECT INTEREST RATES TO DECLINE AND
DURATION TO LENGTHEN FROM 8 TO 12 YEARS ON DOMESTIC
LOAN ISSUES. UNION BANK OF SWITZERLAND ANNOUNCED
SF 100 MILLION LOAN ISSUE AT 4.5 PERCENT INTEREST
FOR 12 YEARS AT 99 PERCENT OF PAR VALUE. SWISS
BANK CORP MADE SIMILAR BORROWING IN JUL FOR 4.75
PERCENT INTEREST AT PAR ISSUE. CREDIT SUISSE WILL
BORROW SF 100 MILLION LATER IN AUG, BUT IS
WATCHING MARKET BEFORE SETTING TERMS OF LOAN
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PAGE 02 BERN 03621 02 OF 02 090928Z

WHICH IS EXPECTED TO TEST MARKET AND CREDIT SUISSE
BORROWING ABILITY AFTER CHIASSO AFFAIR. BIG BANKS
REDUCED INTEREST RATES ON TIME DEPOSITS FOR 3 TO 5
MONTHS FROM 2.5 TO 2.25 PERCENT AND FOR 6 TO 12
MONTHS FROM 3.0 TO 2.75 PERCENT, THIRD REDUCTION SINCE JUN.

4. BALANCE SHEETS OF 3 LARGEST SWISS BANKS:

A. END JUN 1977 BALANCE SHEET TOTALS OF ALL 3 LARGEST BANKS INCREASED COMPARED TO END 1976. PRESS REPORTED THAT DOMESTIC LOAN LEVELS FOR UNION BANK OF SWITZERLAND AND CREDIT SUISSE ARE NEAR CEILING PERMITTED BY CURRENT CAPITALIZATION. EARNINGS HAVE REPORTEDLY RISEN DESPITE LOW INTEREST RATES. FOLLOWING SHOWS MAJOR USES AND SOURCES OF FUNDS AT END JUN FOR UNION BANK OF SWITZERLAND (UBS), SWISS BANK CORP (SBC) AND CREDIT SUISSE (CS):

BANK/USBS/SBC/CS
SOURCES (BILLIONS OF SWISS FRANCS)
OTHER BANKS/16.87/19.17/12.28
SIGHT/TIME DEPOSITS/15.79/16.44/13.41
SAVINGS/INVESTMENT ACCOUNTS/9.76/7.63/5.93
MEDIUM-TERM NOTES/4.75/4.31/4.78
OTHER/7.06/6.23/6.64
USES
WITH OTHER BANKS/21.40/24.13/12.28
LOANS/22.59/19.51/20.71
SECURITIES/2.58/1.98/2.59
DISCOUNTED PAPER/3.34/2.84/2.21
OTHER/4.32/5.32/5.25
BALANCE SHEET TOTAL/54.23/53.78/43.04

B. SIGNIFICANT COMPARATIVE CHANGES IN END-JUN
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PAGE 03 BERN 03621 02 OF 02 090928Z

BALANCE SHEET ITEMS OF 3 LARGEST BANKS CAN BE SEEN FROM FOLLOWING PERCENTAGE CHANGES FROM END 1976, ESPECIALLY POSITIONS WITH OTHER BANKS, LOANS, CS INCLUSION OF CHIASSO/TEXON LIABILITIES UNDER LOANS, AND EFFECT OF CHIASSO AFFAIR ON CS DEPOSITS (BERN 3527):

BANK/UBS/SBC/CS
SOURCES (PERCENT CHANGE)
OTHER BANKS/-2.2/-8.5/6.6
SIGHT/TIME DEPOSITS/5.5/15.7/0.2
SAVINGS/INVESTMENT ACCTS/5.7/4.8/3.1
MEDIUM TERM NOTES/-2.8/2.4
OTHER/9.5/1.9/4.7
USES
WITH OTHER BANKS/8.3/1.9/-18.4
LOANS/8.0/9.1/17.1
SECURITIES/-4.3/-26.8/7.5
DISCOUNTED PAPER/-20.3/-14.3/9.4
OTHER/-1.4/2.7/16.4
BALANCE SHEET TOTAL/3.0/1.9/3.3

C. FORTUNE MAGAZINE'S LATEST RANK LIST OF 50 LARGEST FINANCIAL INSTITUTIONS OUTSIDE US PLACED SBC AT 29

DOWN FROM 28; UBS MOVED TO 30 FROM 32 AND CS ADVANCED
TO 45 FROM 46.
ODELL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DOLLAR, FOREIGN EXCHANGE RATES, FRANC, CREDIT AGREEMENTS, ECONOMIC TRENDS
Control Number: n/a
Copy: SINGLE
Sent Date: 09-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BERN03621
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
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Litigation History:
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Review Withdrawn Fields: n/a
SAS ID: 1668397
Secure: OPEN
Status: NATIVE
Subject: SWISS FINANCIAL REVIEW: WEEK OF JUL31-AUG 6
TAGS: EFIN, SZ
To: STATE USMTN MULTIPLE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/7402dd5f-c288-dd11-92da-001cc4696bcc
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